

Order Instituting Rulemaking to Implement the
Commission's Procurement Incentive Framework
and to Examine the Integration of Greenhouse Gas
Emissions Standards into Procurement Policies.

Rulemaking 06-04-009
(Filed April 13, 2006)

## REPLY COMMENTS OF THE SACRAMENTO MUNICIPAL UTILITY DISTRICT ON THE INTERIM EMISSIONS PERFORMANCE STANDARD FINAL WORKSHOP REPORT

October 27, 2006

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### BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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### REPLY COMMENTS OF THE SACRAMENTO MUNICIPAL UTILITY DISTRICT ON THE INTERIM EMISSIONS PERFORMANCE STANDARD FINAL WORKSHOP REPORT

The Sacramento Municipal Utility District ("SMUD") submits the following reply comments on the Final Workshop Report: Interim Emissions Performance Standard Program Framework ("Workshop Report") dated October 2, 2006, pursuant to the Assigned Commissioner's Ruling: Phase 1 Amended Scoping Memo and Request for Comments on Final Staff Recommendations filed on October 5, 2006 in this proceeding. Pursuant to the specific direction provided in that Ruling and reiterated by Administrative Law Judge Gottstein by e-mail on October 23, 2006, the following reply comments respond specifically to the positions and arguments presented in other parties' opening comments.

### The 25MW Threshold Should Be Adopted

SMUD agrees with Pacific Gas & Electric Company ("PG&E") that the 25 megawatt ("MW") threshold for new long-term commitments poses "little risk that the exemption of small size projects will undermine the goals of SB 1368." As noted by the California Cogeneration Council, exempting smaller commitments represents a very small portion of the

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<sup>&</sup>lt;sup>1</sup> Comments of Pacific Gas & Electric Company (U 39 E) on Final Staff Recommendations on Greenhouse Gas Emissions Performance Standard Pursuant to SB 1368 ("PG&E's Comments"), R. 06-04-009, at pp. 2-3, 5 (October 18, 2006).

California market and reduces administrative burdens.<sup>2</sup>

SMUD also agrees with PG&E that "repowered" facilities subject to the Emissions Performance Standard ("EPS") should be defined as any facility with an increase of 25 MW or more. Maintenance and repairs on powerplants can create small fluxuations in output. These maintenance activities should not trigger EPS review. In addition, new tuning and optimization programs can increase output slightly at existing facilities without adding significant new equipment. These minor changes should also not trigger EPS review. The language presented for comment of "or results in a net increase in rated capacity of that powerplant" does not provide any flexibility for items as simple as programming changes and fails to recognize the real world maintenance issues faced by powerplant owners.

SMUD does not support the proposal to use the language "any investment that is intended to extend the life of one or more units of an existing baseload powerplant for five years or more". Defining the life of a powerplant and defining how long a certain investment will extend the powerplant's life are difficult propositions. It is not beneficial for anyone to create a definition that is difficult to define and subject to numerous interpretations, which only creates areas for litigation. Therefore, SMUD agrees with PG&E that the 25 MW increase "has the advantage of administrative simplicity and transparency, and is consistent with the overall goals of SB 1368."

#### All Existing Facilities Should be Treated the Same Regardless of Ownership

SMUD supports the comments of LS Power Generation, LLC that "the Commission's EPS policies should not result in significantly differing application of the EPS simply due to the form of asset ownership." Contracts for resources grandfathered by Section 8341(d)(1)

<sup>&</sup>lt;sup>2</sup> Comments/Brief of the California Cogeneration Council on Phase I Issues and the Final Staff Workshop Report on an Interim Greenhouse Gas Emission Performance Standard, R. 06-04-009, at p. 3, (October 18, 2006).

<sup>&</sup>lt;sup>3</sup> PG&E's Comments at pp. 5-6.

<sup>&</sup>lt;sup>4</sup> PG&E's Comments, at p. 5.

<sup>&</sup>lt;sup>5</sup> Comments of LS Power Generation, LLC on Final Workshop Report: Interim Emission Performance Standard Program Framework, R.06-04-009, at p.1 (Oct. 18, 2006). This position is also supported by the Joint Comments of Constellation NewEnergy, Inc., Constellation Energy Commodities Group, Inc., Constellation Generation Group, LLC, NRG Energy, Inc., Mirant California, LLC, Mirant Delta, LLC, Mirant Potrero, LLC and Alliance for Retail Energy Markets ("Comments of Constellation, Mirant and AReM") on Final Workshop

should be treated in the same manner as resources owned by Investor Owned Utilities (IOUs). The statute does not differentiate by ownership of the asset but instead clearly includes all combined-cycle natural gas powerplants.

All combined-cycle natural gas powerplants that are in operation, or that have an Energy Commission final permit decision to operate as of June 30, 2007, shall be deemed to be in compliance with the greenhouse gases emission performance standard.<sup>6</sup>

As PG&E states in their comments "Contrary to the Final Workshop Report, the exemption of existing CCGTs is absolute and not time-limited or contract-limited". SMUD also supports the comments of Constellation, Mirant and AReM that disparate treatment for existing generation based upon ownership creates inconsistent public policy. All combined-cycle gas fired generation should be treated the same and subject to the same requirements. SMUD supports the revision proposed by PG&E to address this issue.

#### Compliance Filings are a Reasonable Solution for ESPs

SMUD supports the comments of Constellation, Mirant and AReM that Energy Service Providers ("ESPs") can effectively show compliance in RAR compliance filings.<sup>10</sup> SMUD agrees that proper contract provisions can require the appropriate warranties and documentation from suppliers. SMUD also agrees that ESPs must be able to "be nimble in the marketplace," which is difficult with regulatory pre-approval.<sup>11</sup>

Report, R.06-04-009, at pp. 4-10, (October 18, 2006).

<sup>&</sup>lt;sup>6</sup> Cal. Publ. Util. Code § 8341(d)(1).

<sup>&</sup>lt;sup>7</sup> PG&E's Comments at p. 4.

<sup>&</sup>lt;sup>8</sup> Comments of Constellation, Mirant and AReM, at pp. 8-10.

<sup>&</sup>lt;sup>9</sup> PG&E's Comments, at p. 5.

<sup>&</sup>lt;sup>10</sup> Comments of Constellation, Mirant and AReM, at pp. 3-4.

<sup>&</sup>lt;sup>11</sup> Comments of Constellation, Mirant and ARem, at p. 4.

#### Emissions for Unspecified Contracts Should be Evaluated in a Future Workshop

SMUD supports the comments of PG&E that "treatment of unspecified resources must be precise and fair". SMUD agrees with PG&E that further analysis is needed to find a workable solution. SMUD notes that this issue is also pertinent for guaranteed capacity contracts that provide replacement resources when the specified source is down for maintenance.

#### SMUD Supports an EPS of Not Less than 1,100 lbs/MWh

Similar to the comments of San Diego Gas and Electric and SoCal Gas and Southern California Edison, SMUD supports an EPS standard of not less than 1,100 lbs/MWh. <sup>13</sup> The EPS level should accommodate existing gas fired generation as mandated by SB 1368 and allow for variations in efficiency driven by generator size, altitude, cooling technology and temperature.

#### Conclusion

SMUD supports the 25MW threshold for EPS evaluation of long-term commitments and as a bright line for repowering existing facilities. SMUD supports treating all existing facilities as compliant, and therefore, no additional EPS gateway should be applied at contract renewal for these covered facilities. SMUD supports the proposal to use compliance filings to assure ESP compliance with EPS requirements. SMUD supports PG&E's proposal to further

<sup>&</sup>lt;sup>12</sup> PG&E's Comments, at p. 7.

<sup>&</sup>lt;sup>13</sup> Comments of San Diego G

<sup>&</sup>lt;sup>13</sup> Comments of San Diego Gas & Electric Company (U 902 E) and Southern California Gas Company (U 904 G) on Phase One Issues and Final Staff Recommendations, R. 06-04-009, at p. 12 (October 18, 2006); Opening Comments of Southern California Edison Company (U 338-E) on Final Staff Workshop Report and Proposal, R. 06-04-009, at p. 12 (October 18, 2006).

evaluate emissions from unspecified contracts in additional workshops. And finally, SMUD supports adoption of an EPS of not less than 1,100 lbs/MWh.

Dated: October 18, 2006 Respectfully submitted,

/s/

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#### **CERTIFICATE OF SERVICE**

I certify that the following is true and correct:

On October 27, 2006, I served an electronic copy of the attached:

# REPLY COMMENTS OF THE SACRAMENTO MUNICIPAL UTILITY DISTRICT ON THE INTERIM EMISSIONS PERFORMANCE STANDARD FINAL WORKSHOP REPORT

on all known parties to R.06-04-009, or their attorneys of record, that have provided copies of their e-mail addresses. I served a copy of the document on those without e-mail addresses by mailing the document by first-class mail addressed as follows:

See attached service list

Executed this 27<sup>th</sup> day of October 2006, at Sacramento, California.

/s/	
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